

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-01

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 L-02 SS-15 NSC-05

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R 211740Z MAR 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC 0179

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY OSLO

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

C O N F I D E N T I A L ROME 4179

E.O. 11652: GDS

TAGS: EFIN IT

SUBJECT: ITALIAN COMMENT ON SWISS FRANC PARTICIPATION

IN EC SNAKE

PASS TREASURY AND FRB

1. IN CONVERSATION ON MARCH 21, DIRECTOR GENERAL OF
ITALIAN TREASURY PALUMBO TOLD TREASATT THAT PARTICIPATION
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OF SWISS FRANC IN EC MINI-SNAKE COULD ONLY RESULT IN

DELAYING TIME WHEN OTHER EC CURRENCIES SUCH AS LIRA
POUND, AND FRENCH FRANC WOULD BE ABLE TO REJOIN SNAKE.
PALUMBO REPEATED WELL-KNOWN ITALIAN BELIEF THAT
"MONETARIST APPROACH" TO EUROPEAN MONETARY INTEGRATION
THROUGH TIGHT LINKING OF EC EXCHANGE RATES WAS UNREALISTIC
FROM THE BEGINNING IN ABSENCE OF PARALLEL INTEGRATION OF
ECONOMIC POLICIES. IF SWISS FRANC WERE TO JOIN MINI-
SNAKE, THIS WOULD SIMPLY ADD TO PROBLEM OF STRONG CURRENCIES
DRAGGING OTHER CURRENCIES WITH THEM, THUS JEOPARDIZING
BALANCE OF PAYMENTS EQUILIBRIUM.

2. PALUMBO SAID THAT HE DID NOT FORESEE RETURN OF LIRA
TO SNAKE WITHIN NEAR FUTURE. HE THOUGHT THAT UK
AUTHORITIES WERE PROBABLY OF SIMILAR OPINION. FRENCH,
ON THE OTHER HAND, MIGHT RETURN TO SNAKE SOONER FOR
POLITICAL REASONS, BUT THIS COULD WELL RESULT IN FRANC
GETTING INTO TROUBLE ONCE AGAIN. VOLPE

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